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The political economy of national-neoliberalism

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ABSTRACT

Has a post-neoliberal policy regime emerged from the challenges to neoliberalism that have accompanied the rise of nationalism and populism in some Eastern and Central European countries? Why has the political organization of these challenges to neoliberalism endured in some countries but not in others? By drawing on a mix of primary and secondary sources culled from the institutional, political and economic realities of Hungary and Romania, this paper makes two claims. First, the article sugegsts that these transformations have amounted to a distinctive variety of neoliberalism that can be dubbed 'national-neoliberalism.' At its core one finds the slightly modified old goals of neoliberal orthodoxy embedded into a protective cocoon of orthodox and unorthodox economic policy instruments and institutions. The second claim of the paper is that the political organization of the national-neoliberal project was resilient in Hungary but not in Romania. The evidence suggests that this variation owes not only to the fact that the 'national' elements of national-neoliberalism had protections against the bond markets. While this factor was indeed critical, the resilience of Hungarian national-neoliberalism seems to have been made possible by the fact that its proponents could manage a broader social bloc and deploy techno-political capabilities that bolstered their political power relative to that of challengers. In contrast, the challengers to orthodox ("globalist") neoliberalism did not posess these characteristics in Romania. As such, the paper rejects the hypothesis of a nationalist-heterodox successor to neoliberalism and takes a first cut at a theory of policy resilience for national-neoliberalism.

KEYWORDS

Economic nationalism; economic populism; globalist neoliberalism; national-neoliberalism; Romania; Hungary

1. Introduction

Does the rise of nationalism and populism in some Eastern and Central European countries lead beyond neoliberalism? Why is it that some sustained challenges to this dominant policy paradigm endured in some countries but not in others? A growing literature claims that what we are seeing in Hungary, Poland, Russia or Serbia is no longer a form of neoliberalism, but a post-neoliberal world constrained by wider neoliberal

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structures (Bluhm & Varga, 2020; Orenstein & Bugarič, 2020; Toplišek, 2020). For example, Bluhm and Varga (2020, p. 642) identify a *conservative developmental statist policy regime, i.e.*

> a combination of economic nationalism – subordinating the economy to national interests and to the imperative of protecting national identity – and conservatism, reorienting economic policies to serve the traditional family and undo the perceived wrongdoings of post-communist elites, in particular, privatization.

In the same vein, Orenstein and Bugarič (2020) see this regime as a form of *new developmental statism* originating in a rejection of the economic policies of neoliberalism (pp. 2–5), leading to a post-neoliberal growth model based on 'conservative nationalism, natalism, workforce activation, taxation of certain foreign enterprises, sovereignty, and welfare chauvinism' (p. 15). Common to these approaches is an understanding of neoliberalism as a mix of neoclassical economics and rejection of state intervention in the economy.

The statism scholarship advances the state of the art by highlighting the important disruptions of neoliberalism in these countries while convincingly showing that the relevance of populists' reactionary re-reading of redistribution. But do these disruptions amount to the paradigmatic change that these studies suggest? If one adopts the view that neoliberalism should not be conflated with neoclassical economics or the rejection to state interventionism (Ban, 2016; Slobodian, 2018), could it be that this revamped conservative statism is not a form of post-neoliberalism but rather a mere inflection of neoliberalism through a reshuffling of policy instruments and small calibrations (rather than dislocations) of the policy goals? After all, a broader literature on neoliberal hybrids (Abdelal, 2015; Ban, 2016; Clift & Woll, 2012; Fabry, 2019; Geva, 2021; Harmes, 2012; Helleiner, 2002; Helleiner & Pickel, 2005; Scheiring, 2020, 2021; Slobodian & Plehwe, 2020; Weber, 2021; Weyland, 1999) shows that populism/nationalism/developmentalism are protean concepts, with their policy implications ranging from autarky to neoliberalism and that neoliberalism can cannibalize ideational adversaries of various stripes. Indeed, political intervention and the shaping of market outcomes to benefit collective national interests rather than global ones is an inextricable part of capitalism and even of liberal capitalism, not its negation (Clift & Woll, 2012). Likewise, real-existing neoliberalism integrates a number of orthodox Keynesian ideas and policies (Helgadottir & Ban, 2021) and subordinating the economy to national interests via progressive taxation or labour regulation are standard features of modern capitalism in both its liberal and populist varieties (Ban, 2016).

Furthermore, even the scholarship that embraces the nationalist hybridization of neoliberalism/patriotism pays scant attention to ascertaining what the core and periphery of the hybrid consist of and what explains variation across cases in terms of its resilience as a policy programme. The analytical challenge and our contribution to this special issue, then, is to more precisely identify the 'deep structure' (or core goals) of national-neoliberalism as ideological formation and separate it from the non-core ideas (Ban, 2016; Hall, 1993). This conceptual challenge affects even some of the clearest analyses on the topic. For example, Toplišek's (2020) analysis provides the clearest definition of this post-neoliberal path: the combination between the politicization of the role of the state in terms of ownership, its allocative mechanisms and management of the economy with continued state promotion of FDI, privatization of strategic enterprises

or closer economic policy coordination at the EU level under the current EU treaties. By saying that this is a heterodox regime embedded in external and coercive structures does not clarify whether the regime as a whole is primarily heterodox or primarily neoliberal. This is important because real existing policy regimes (and particularly neoliberalism) are always hybridized with content borrowed from competing approached (Brenner et al., 2010) in ways that reflect domestic political considerations (Ban, 2016; Karas, 2021).

Our approach deals with the problems of both the statism/neodevelopmentalism and the hybridity literatures respectively by building on some of the existing work in comparative political economy (Ban, 2016; Hall, 1993) to argue that even if nationalist/statist/heterodox ideas situated at the level of policy instruments loom large but the core policy goals remain neoliberal, the hybrid is primarily national as opposed to a globalist variety of neoliberalism. Our departure point is that the core of neoliberalism consists of three paradigmatic goals: make economic policies have credibility with financial markets, ensure trade and financial openness, safeguard internal and external competitiveness (Ban, 2016, p. 10). Using this policy trinity, we suggest that as long as the policy goals remain largely unaffected, the result is best construed not a variety of economic nationalism/heterodoxy deserving of being called post-neoliberal statism/developmentalism, but an edited version of neoliberalism proper. Inspired by Karen Caplan's (2020) work on 'national-liberalism' in the late nineteenth century, we dub this hybrid 'national-neoliberalism.'

Hungary and Romania are interesting cases to study these transformations in both descriptive and analytical terms. Descriptively speaking, Hungarian national-neoliberalism has been relatively structured and bold ('hard' national-neoliberalism) while proving politically resilient within a post-liberal political paradigm, with its architect, the Right party Fidesz remaining in power since (2010–). In contrast, in Romania national-neoliberalism emerged as a programme of a nominally social-democratic party that was somewhat less confrontational with the paradigmatic core than in Hungary ('soft' national-neoliberalism) and has been very short-lived (2016–2019), with these challenges consumed within an enduring liberal constitutional order (Blokker, 2021). That said, the most important changes in the policy regime that the paper is interested in took place over a period of three years in both countries (2010–2013 in Hungary and 2016–2019 in Romania), a fact that eases their comparability. The cases are interesting precisely because they show variation in terms of depth and resilience: high in Hungary and low in Romania.

On a more analytical level, the paper suggests that the national-neoliberal project may be resilient not only if it is protected in the bond markets by relatively well-functioning *and* positively subordinate fiscal and monetary authorities, as one can expect based on prior research (Ban & Bohle, 2020), but also if its advocates can manage a broad social bloc and deploy techno-political capabilities that can weaken opposition to social bloc maintenance while buffering the impact of 'market-disciplinary regulatory arrangements and policy-transfer networks' (Brenner et al., 2010, p. 341) such as the structural power of critical FDI sectors and the EU. We find that whereas Fidesz had these characteristics, the PSD (Partidul Social Democrat) lacked them

Overall, these arguments echo some of the existing work (Ban & Bohle, 2020; Bohle & Greskovits, 2019; Fabry, 2019; Geva, 2021; Scheiring, 2020, 2021) but go beyond the state of the art by proposing a more integrative approach that links ideological discourse and

practice on a wider array of economic policy areas and by examining the depth of nationalist-neoliberalism using the comparative method. Romania and Hungary are good cases to study the depth and resilience of national-neoliberalism because of variation on the independent variables that emerge from our analytical framework. Thus, the depth of the national-neoliberal paradigm is explained by looking at the capacity to manage a broad social bloc and deploy techno-political capabilities. Here, Hungary scores high on both variables while Romania scores low. In the case of Hungary, we selected Fidesz not only because the literature sees it as going beyond neoliberalism but also because the interest of the paper is in a governing party that tries to apply national-neoliberalism. By these criteria, the other Hungarian parties have been left outside of power since 2010.[1] As for Romania, the case of the nominally centre left party PSD is attractive because it is the only parliamentary party who openly claimed it was going beyond neoliberalism; the rest of the political spectrum sticks to a local version of disembedded neoliberalism (Ban, 2016), with some minor forms of calibration since the pandemic.

The paper is organized as follows: first, we delve into the analytical framework; then the paper zooms onto the Romania-Hungary comparison, with a section of the institutional underpinnings of national-neoliberal ideas and one on the ways in which these ideas have been used in practice by Hungarian Fidesz and Romanian PSD. A final section concludes.

2. Analytical framework

Our analysis departs from Adam Harmes' (2012) observation that

> not only certain nationalist policies are compatible with neoliberal values, but also these values may actually be dependent on certain nationalist policies (…) while the other strands of liberalism support free trade and capital mobility for reasons of economic efficiency and international peace, neoliberalism supports them primarily for creating the inter-jurisdictional policy competition, which they believe helps to lock-in neoliberal policies at the domestic level.

But for us, this compatibility between nationalism and neoliberalism can be taken beyond a pure nationalist sales pitch for 'globalist neoliberalism' (Slobodian, 2018), and into a deeper form of enmeshment. Thus, we define national-neoliberalism as a compromise between the core of the neoliberal economic paradigm and the political imperatives of advancing national interests as contingently defined. This should not be surprising. Quinn Slobodian showed that there have always been connections between networks of institutionalized neoliberalism and the emerging formations of today's nationalist (and even far right), so that '[t]he reported clash of opposites is actually a family feud' (Slobodian, 2018).

But what does this national-neoliberal compromise consist of and under what conditions can it be a resilient politico-economic project? The paper addresses the first (descriptive) question by looking at what elements of neoliberalism have been edited with/grafted by other economic policies. Our departure point was Table 2, where we had organized the implications of the existing empirical literature (Ban, 2013, 2016; Ban & Bohle, 2020; Bohle & Greskovits, 2019; Fabry, 2019; Gabor, 2010; Johnson & Barnes, 2015; Karas, 2021; Scheiring, 2020) to show that conservative statism may inform/be

layered upon this hybrid, with all the attending complementarities and particularly with all its sources of tension with the neoliberal status quo, yet without drastically altering its core properties. Indeed, the implications of the core goal of maximizing economic sovereignty (more autonomy for the state vis-à-vis international creditors, obtaining a level playing field for domestic capital, securing prevailing domestic ownership in finance) can be pursued in ways that merely edit the goals of neoliberalism, making it 'national,' rather than displace them. Indeed, the term 'neo-developmentalism' was in fact developed for capitalist states where domestic capital owns a significant number of firms with the potential to seize global economies of scale and technological updating processes with the help of innovation policy and an activist trade policy targeted at strong intellectual property regimes and investment opportunities for domestic firms. This may work in Korea and Brazil, but not in ECE's dependent capitalisms, where most exporters are foreign-owned links in global value chains with little vertical integration. (Neo)developmentalism also entails an understanding of economic development as a structural process, therefore to commitment to the mobilization of all available labour resources, increasing productivity in each industry and the steady transfer of finance to high wage and high value-added sectors. Such ideas and corresponding practices are hard to encounter in the Hungarian and Romanian contexts examined here.

In short, we see national-neoliberalism is a recombinant policy programme whose demise at the hands of neodevelopmentalism capitalism would entail the adoption of policy goals and attending instruments that would function not as mere 'add-ons' to national-neoliberalism, but as the basis of a distinctive economic policy programme, with its own goals. It is important to note at this point that rather than take post-war developmentalism as the reference, as the postneoliberalism literature does, somewhat ignoring the historically unique enablers of that policy regime (Chibber, 1999), the more comparable benchmark should be neodevelopmentalism of democracies such as Brazil during the Lula and Rousseff presidencies (Ban, 2013) (Table 1).

To address the second (analytical) question of the paper we advance an existing explanation on the importance of having the institutional capabilities necessary to enable the state to refinance itself following the adoption of controversial measures (Ban & Bohle, 2020) by highlighting two overlooked factors. The first comes from scholarship on social blocs. According to its proponents (Bacarro & Pontusson, 2019), the dominant growth model of a national economy is underwritten by a dominant social bloc and the core of the bloc is constituted by a cross-class alliance between large companies and skilled workers in dominant sectors. Specifically,

> The social bloc will be more or less broad depending on to extent which the interests of routine working class, the lower middle-class and the petty bourgeoisie are compatible with the policy requirements of the key sectors as well as the extent to which these peripheral groups are collectively organized. Mainstream political parties compete primarily on their ability to manage the social bloc and the growth model. Political parties manage conflicts of interests among different components of the social bloc and preserve the social bloc by deflecting potential protest or disruption by outside groups. (Bacarro & Pontusson, 2019, p. 28)

Based on the social bloc approach, we build the argument that the Hungarian national-neoliberal policy regimes were, while its Romanian counterpart was not, because its political enactor (the ruling party Fidesz) successfully managed the conflicts of interests between

Table 1. Goals and policies under national-neoliberalism.

Paradigm	Goals	Orthodox instruments	Heterodox instruments
Neo-developmentalism	Gain maximum economic sovereignty within given external constraints	Enhancing monetary policy transmission Timely completion of bailout agreements with the international financial institutions Limits on the state debt-to-GDP ratio beyond which annual budgets would prioritize debt reduction	Politicized central bank with developmental component Debt reduction and the minimization of forex exposure Making the domestic private and household sectors strategic creditors to the state Nationalizing mandatory private pension funds Politicized credit provision The conversion of foreign exchange loans to domestic currency loans Significant direct and disguised state ownership in strategic sectors (Conservative version) Natalist and classist (middle/upper-class oriented) tax and expenditure-based redistributive policies State-owned (developmental) banking The expansion of aggregate demand through taxation, spending and credit State investment Growth of social and public housing programmes, Wage-led rebalancing of labour-capital share in GDP Strengthening labour unions Strong publicly-owned banking sector taking orders from the government to expand credit Spending, tax and investment-based (via equity) industrial policies targeting higher value-added sectors Using state-owned banks to promote higher value-added sectors
National-neoliberalism	Bond market credibility *but with more autonomy for the state vis-à-vis international creditors*	Current account and budget surpluses Deep public debt cuts Social expenditure cuts Reform of tax collection capacity	Central bank support for government debt Special sectors on predominantly foreign-owned sectors
	International competitiveness *but with level playing field for domestic capital*	Labour market activation programmes Wage repression via limited labour protection, low minimum wage and public sector wage growth and diminished safety nets for the unemployed	Industrial policies targeted at domestic capital ('accumulative state') More emphasis on wage-led growth drivers Improved access to credit for households and domestic firms
	Trade and financial openness *but with significant domestic ownership in finance and energy*	Strict adherence to global/regional on trade and finance regimes Financialization of social and housing policy	Making domestic ownership prevail in the banking and energy sector

the various constituents of the social bloc, by generating enough 'glue' to make the bloc stick together, while warding off challengers using both liberal and illiberal means.

The second strand of literature we draw on is the institutionalist scholarship in political science that focuses on party systems and party strategies (Hanley & Vachudova, 2018; Scharpf, 2018; Stefan et al., 2012). In this literature, institutional variables such as the degree of party centralization, the use of gerrymandering, the institutional links between the cabinet and independent agencies are critical aspects of politics. For us, they matter from a particular angle: they can be deployed by national-neoliberal political entrepreneurs to deflect attempted disruption by challengers to their attempts to glue the social bloc together. Thus, we suggest that the task of social bloc maintenance is easier to accomplish where there is a tradition of party structure centralization and political party strategies successfully weaken legal avenues for challenging its power while bolstering informal norms associated with democratic backsliding (Hungary) then it is where the opposite is the case (Romania). In contrast, with the Hungarian public having a similar profile in terms of political values with Romania's[2] and with Romania being even more devastated by the Great Recession/irked by external conditionality than Hungary, the value of mass political culture and exogenous economic shocks variables appear less convincing.

In terms of time frame, the analysis focuses on the past ten years, with a stronger emphasis on years spent in office by national-neoliberals. This focus was important for an analytical demarche interested not just in national-neoliberal talk, but also in national-neoliberal walk. Or, the best way to study policy walk is to look at what one does when in power.

In terms of data, we draw on secondary literature, official statistics and a wealth of primary sources in Hungarian and Romanian that have not been explored before. We selected the secondary literature based on relevance and visibility in professional journals. Primary data consists of domestic mass reporting, speeches by and interviews with decision-makers selected based on a balance between access, expertise and importance in the policy process. We used EU-level and national statistics based on need. The data was processed the comparative method aimed at theory building.

3. National-Neoliberalism in Hungary (2010–)

In the 1990–2010 period Hungary spearheaded the competition for foreign capital in the Visegrad region (Bohle & Greskovits, 2012). However, the technological advances brought by transnational corporations remained confined to the transnational sector of the economy without a significant spillover effect on the domestic economy. Hungary's globalist neoliberalism resulted in a severe economic dualism: productive technology-intensive transnational corporations generating the bulk of export revenue, while labour-intensive domestic companies struggle to do so and get stuck in domestic low and medium value-added markets.

Hungary's globalist-neoliberal model was also unsuccessful at creating enough jobs, inequalities grew and an overwhelming majority of Hungarians experienced Hungary's reintegration into the global economy between 1989 and 2009 as social mayhem (Hann, 2019). The rightwing Fidesz party capitalized on this discontent magnified by the Great Recession and in 2010 it secured a whooping two-third majority in the Parliament.

In defiance of neoliberal prescriptions, the government nationalized several companies, pension funds and banks, restructured existing concessions and management rights, most notably in the tobacco, savings cooperatives, and agricultural sectors, and distributed ownership rights to loyal oligarchs (Mero & Piroska, 2016; Oellerich, 2021). Critically, government actions led to the concentrating of state control of the domestic energy sector while slamming special sectoral taxes on largely foreign-owned sectors (Toplišek, 2020).

However, there are a host of economic policies targeting a much broader segment of the business class, borrowing from the neoliberal cookbook (for more details see Scheiring, 2021). The government signed Strategic Partnership Agreements with the largest transnational corporations, which helped to pacify tech-intensive manufacturing corporations, particularly in engineering (Bartha, 2015). In other, non-technological sectors that play little role in generating export revenue, such as banking, services, or energy, the government actively tries to push out transnational capital and make space for the national bourgeoisie. The reforms of the banking sector did challenge the neoliberal goal of openness, as they favoured domestic ownership, yet this is not per se unprecedented in the EU. Spain, for example, defended domestic ownership in banking and energy for decades (Ban, 2016) and so do other EU member states in strategic industries (France is another famous example) and yet in these countries these policies are not considered as terminally challenging the goal of openness itself and as evidence for postneoliberalism.

Likewise, the widely-documented unorthodox monetary policy of Hungary was designed so as not to endanger Hungary's credibility in the international financial markets (Ban & Bohle, 2020; Johnson & Barnes, 2015). By post-2008 standards, this policy is not out of line with real-existing neoliberalism in the age of quantitative easing (central bank purchases longer-term securities from the open market in order to increase the money supply and encourage lending and investment) and de facto monetary financing of domestic government debt (the expansion of the central bank balance sheet with the aim of funding the government). Moreover, despite a decline in the first part of the 2010s, the share of foreign investment in the banking sector compared to the total foreign investment stock is the same in 2019 as it was in 2010 (OECD, 2021).

The government also distributes state aid to both to national and international investors, to the extent that the former are in the 'productive economy'; these subsidies vastly exceed the pre-2010 level and are more targeted towards national capitalists than before (Hungarian Government, 2018). Rather than be a form of heterodox industrial policy, this state aid respects the neoliberal 'level playing field' principle. Furthermore, the government introduced a prototypically neoliberal (Appel & Orenstein, 2013) flat 9 per cent corporate tax in 2016, effectively transforming the country into a tax haven. One of the most important measures to boost the embourgeoisement of the upper middle class was the introduction of a flat 16 per cent personal income tax in 2011, further reduced to 15 per cent in 2015 (Tóth & Virovácz, 2013).

These massive tax reductions culled straight from the textbook of supply-side neoliberalism did not affect bond market credibility. The government kept the budget and external deficits low (soon to build surpluses on both) and to achieve this, social spending was cut and every year 1 per cent of GDP was collected from the sectoral taxes. Public health care spending declined from 5.2 per cent of GDP in 2009, a level already low in international comparison, to 4.7 per cent in 2018, the lowest in the Visegrad region. Spending

on social protection was slashed from 18.1 per cent of the GDP in 2009 to 13.3 per cent in 2018 (Scheiring, 2021). Unemployment benefits were cut and the retirement age radually increased while the government eliminated early retirement and significantly cut back on invalidity pension. In line with the ideology of the 'workfare state', which penalizes 'idleness' to an unprecedented degree, these reforms pushed several hundred thousand of vulnerable people onto the labour market, thus putting a downward pressure on wages (Szikra, 2018). This fiscal orthodoxy achieved via expenditure cuts while cutting taxes for the 'investor class' are anything but postneoliberal. The price was a steep rise in inequality and precarity (Scheiring, 2021). A new labour code, overtime pay postponement for three years, the disbanding of the standing tripartite body and restrictions in the opportunity to strike led to Hungary having the lowest wage growth in the region, a clear alignment to the neoliberal cost competitiveness imperative. In 2020, in the wake of the coronavirus crisis, the government simply suspended the labour code, exploiting the corona-crisis to push further ahead with its polarizing socio-economic strategy (Bruszt, 2020). This is all a far cry from the neo-developmentalist rebalancing of labour-capital relations via stronger unions, stronger safety nets and generous minimum wage policies. Borrowing from the neo-developmentalist toolkit, the Hungarian government eased dependence on foreign credit, cut public debt and minimized foreign exchange exposure, subordinated the central bank and then made it defend the government in the bond market while easing financing conditions for SMEs and households. It also nationalized the mandatory private pension plans and took strategic positions in strategic sector firms (banks and energy). At the same time, it did not employ classical neodevelopmentalist tools such as promotional banking and strong state investment, as Poland did, for example (Naczyk, 2021), financialized rather than provide public housing (Pósfai et al., 2017), resorted to wage repression rather than wage-led rebalancing of labour-capital relations, deepened liberal rather than corporatist industrial relations and overall did not deploy 'high road' industrial policies aiming to climb the value ladder (Scheiring, 2021). As evidenced by Oellerich (2021), while the government politicised bank ownership in both a nationalist and a developmentalist manner, this policy acted more like a loyalty machine and less like a developmentalist one.

Although, in neo-developmentalist fashion, the government improved access to capital for households and SMEs through its financial reforms since 2010 (Ban & Bohle, 2020), aspects of the knowledge component and long-term planning that are key to neo-developmentalist industrial policy have been pushed into the background. The declining quality of education, falling tertiary education financing and enrolment, aggressive intervention into the operation of research institutes and universities have undermined the possibility to build an innovation-intensive economy. The primary economic objective of the government is not the neo-developmental moving up the value ladder, but the embourgeoisement of the upper-middle class, capital accumulation for the national bourgeoisie (including the petit variety) and support for the transnational capitalists in the export-oriented tech sectors – without pushing the economy towards long-term upgrading. Supporting the labour-intensive low-tech production of the largest national capitalists can generate new wealth in the short term but it also diminishes the possibility of advancing upwards in the international division of labour, a move suggestive of the 'low' road to development. In this sene, Hungary differs sharply from Poland, where a "high" road to development has been in teh works for years (Naczyk, 2021).

Respecting (with some nuances) the three pillars of neoliberalism – credibility with financial markets, trade and financial openness, external competitiveness – Orban's regime intervened into the economy with a dynamic assortment of orthodox and heterodox policy tools to favour the upper middle class and national capital in particular, while delivering side deals (wage increases in the export sector, public employment programmes) for some sectors of the working classes. However, intervention is not equal to developmentalism or even 'statism' (Orenstein & Bugarič, 2020). The government has been unable to chart a trajectory of long-term industrial upgrading, thus falls short of a neo-developmental state. Indeed, Hungary's national neoliberalism combines the neoliberal policy trinity of goals with a set of neo-developmentalist policies that favour national capital in certain sectors, and national-populist politics designed to pacify the victims of this new neoliberal hybrid.

4. National-neoliberalism in Romania

Between the early 1990s and the early 2000s, Romania went from a failed neo-developmentalist experiment crashed by external conditionality and a weak state to a full embrace of globalist neoliberalism. After the Great Recession, the policy regime went from a deepening of neoliberal orthodoxy (2009–2011) towards a gradual, albeit unsystematic stripping of neoliberal ideas, climaxing in national-neoliberalism (2016–2019), a period marked by greater importance to demand-side factors and even some neo-structuralist policy instruments. However, as we shall see, these heterodox edits on the globalist-neoliberal doxa lacked the structural nationalist justification that we saw in the case of Hungary and were generally much less encompassing.

The economic crisis of 2008 and the social crisis ushered by the 2010 balance of payments crisis brought to the PSD back in government in 2012, after eight years of conservative rule. Over the next three years, they tried to create the conditions necessary for a more embedded form of neoliberalism to take root, within constraints imposed by bond markets and the Troika (Ban, 2016). Overall, however, this was a Third Way-inspired economic policy regime, rather than the kind of nationalist tampering with neoliberalism, as seen in the case of Hungary.

The first signs that the PSD was moving away from Third Way aspirations came during the one-year technocratic government of Dacian Ciolos (2016–2019). Then, the new party chairman Liviu Dragnea used the problem of the CHF-denominated mortgages to attack the government for defending foreign banks. As opposition leader, PSD leaders also charged the technocrats for being the stooges of foreign capital, a charge not heard since the nationalist 1990s. Yet the charges did not yet articulate a distinctive economic ideology per se or reveal a policy master plan, as it had happened in Hungary (Bluhm & Varga, 2018). Indeed, the elevation of this rhetoric into a clearer national-neoliberal path did not happen until the PSD engaged in an open conflict with the EU over the issue of the anti-graft laws and institutions.

The 2016 election manifesto at first toned down the nationalist message. The attempt to calibrate and even transgress neoliberalism on the left was apparent in some policy areas (wage policy, financial policy, sectoral policy), but no one challenged the goals of having an open economy (as much as one can challenge this goal inside the EU), subjecting policies to criteria of market credibility and keeping a competitive business and external environment (Partidul Social Democrat, 2016).

At a first glance, the PSD went further in the direction of neo-developmentalism. Thus, the PSD promised (and delivered) demand-side policies via wage-led growth measures such as minimum wage and public sector wage increases, a heterodox concept traced by chief economist Cristian Socol to post-Keynesian economists. As a result, over the next three years (and in contrast with Hungary's wage repression), Romania had the region's highest wage increases, a process driven by minimum wage and public sector wage hikes, a factor that boosted the share of consumption in Romania's growth model and increased the share of labour relative to capital (Guga, 2021) at the cost of running hefty current account and budget deficits even as the economy had some of the region's higher growth rates and tax receipts dwindled as a result of bolder tax cuts and lack of revenue agency reforms. In what could be read as a neo-developmentalist temptation, the PSD also announced they were earnest about an industrial policy targeted at high-value added sectors (via state aid) and the development of promotional financial institutions to better fund domestic firms.

Yet upon closer inspection, most of these policies remain consistent with key parts of neoliberalism. Policies targeting higher labour-capital rebalancing are evidence of departure from neoliberalism only to the extent that they challenge the goal of competitiveness, which these wage increases did not do. Indeed, across all metrics, Romanian wages remaining extremely competitive in the region (Guga, 2021). Furthermore, like in Hungary after 2015, the wage increases were carried out unilaterally by the government, with no attempt to reinstate the labour legislation on collective bargaining and union rights repealed by the conservative "austerity governments" of 2009–2012. The government's attempt to close the deficit with a Hungarian-style tax on the assets of banks, pension funds and telecom, a tax which in Hungary raked in 1 per cent of GDP in Hungary (IMF, 2013, p. 10), ended up in abject failure.[3] As for a sovereign wealth fund designed to bolster industrial policy, its establishment failed to be completed by the end of the PSD term. Making matters worse on this front, public R&D budgets remainied chronically low even by the region's already low standards (Guga & Spatari, 2021).

The PSD's tax philosophy was an attempt to put a 'national' spin on neoliberalism, not the latter's repudiation, an intention confirmed in elite interviews with one of these authors.[4] Thus, the government programme declared it would make Romania the country with the lowest tax burden in Europe. The libertarian 'flat' tax on income to bolster the 'national' middle class was cut from 16 per cent to 10 per cent, and they adopted a mix of supply-side tax measures targeted at business (zero tax on dividends, slashed VAT for construction and tourism, zero taxes for most real estate transactions, extensive cuts in social security contributions owed by employers), tax haven-like status for the petit bourgeoisie (Ban & Rusu, 2020). There were a few progressive measures in tow (such as VAT cuts), but they paled next to the wave of supply-side tax cuts that could sit well in any ambitious neoliberal cabinet. In contrast to Fidesz, the PSD did not nationalize second pillar pension funds, make the central bank monetize foreign debt or stimulate domestic credit. They did not try to acquire stakes in strategic sectors or kickstart R&D spending to create comparative advantage. Nor did they try to 'Romanianize' the banks and the energy sector, as "hard" national-neoliberals could. There was no politicization of the central bank, no minimization of forex exposure and no maximization of public investment to remove structural bottlenecks.

Like in Hungary, child support schemes were framed in conservative pronatalist terms and access to the guaranteed minimum income benefit was restricted. Also, like in Hungary, the fundamental labour market policy was labour force activation while active labour market policies remained underfunded and underused. In 2016, the PSD also lifted of the cap on child rearing allowance, a social benefit primarily benefiting the middle and upper class which remained unavailable for poor families with no adults engaged in formal labour/with no taxable income earned in the years prior to the birth of the child.

5. Why Hungarian national-neoliberalism was resilient while its Romanian counterpart was not

5.1. Strong versus fissiparous social bloc

While Fidesz secured a strong base in all domestic capital factions plus multinational manufacturing while ensuring the support of labour in the export sector and even amongst the working poor, the PSD's attempt to weld together a supportive social bloc failed.

In opposition after losing the election in 2002, Fidesz abandoned its own version of technocratic, globalist neoliberalism, and grafted elements of conservative neo-developmentalism upon the neoliberal bedrock. Context is of essence here: by the 2000s, domestic capitalists were increasingly alienated by the left-liberal governments and allied themselves in increasing number with Fidesz well before the 2010 election. They did so because they hoped that a Fidesz government would better facilitate the capital accumulation of national capitalists. Once elected back into power in 2010, Fidesz delivered on its promise, and engineered a new class compromise between the political class, the national bourgeoisie and TNCs (for more details see Scheiring, 2020, pp. 217–260). In so doing, they offered a political solution to the internal contradictions of Hungary's globalist neoliberalism by accelerating capital accumulation and promoting the embourgeoisement of the upper-middle class while preserving the trinity of neoliberal goals.

During the 2000s, the rising economic nationalism of national capitalists met with the new economic nationalist policy strategy of Fidesz, with the Chamber of Commerce (an organization of domestic capital) helping shape the economic programme of this party. This 'national' policy strategy represented a shift from the 'level playing field' principle in state aid associated with the globalist neoliberal approach, dominant before 2010, including the Fidesz government in 1998–2002. While denting the goal of openness essential to neoliberalism, this policy shift did not replace it altogether. Foreign-owned manufacturing capital and particularly automotive was regaled with attention and perks (Bohle & Greskovits, 2019). Also, to be de rigueur, European countries that one does not call nationalist/populist (e.g. Spain, France) also consistently negotiate neoliberalism' openness principle by targeting protections at a small set of sectors within the limits of the EU law and in the case of Spain, these happened to be the same energy and banking sectors as in Hungary (Ban, 2016).

As in the case of American neoconservatism, Fidesz articulated calls for anti-neoliberal solidarity in terms of support for the middle class, 'wage earners' and traditional families (with home-based care provided by women as the specific articulation). The only local edit in this regard is represented by the ethnic justification of childcare policies as a

means to stem demographic decline. Overall, however, Fidesz cemented the social bloc linking at first most 'big' capital faction and SMEs and then labour in the export sector and parts of the ultra-poor whose saw their relative positions improve.

Unlike Fidesz, the PSD failed to manage the conflicts of the dominant social bloc underpinning this hybrid growth regime whose FDI-led growth drivers are accompanied by the region's strongest domestic consumption engine. Like in Hungary, the PSD's main move was to woo domestic business. This appeared plausible, with domestic capital organizations (PIAROM and CNIPMMR) criticizing the technocratic government of 2015–2016 using similar arguments as those used by the PSD, including the legitimizing narrative that the anti-graft institutions that had decimated the PSD leadership did the same with large domestic firms, leaving the field open to Liberal-backed multinationals (Bursa, 2016a). PIAROM publicly saluted the PSD government programme (PIAROM, 2016) noting particularly its support for local capital, a position embraced by other key representatives of domestic capital. Moreover, CNIPMMR's head joined PSD's newly-formed government as minister for small and medium enterprises. Yet after less than a year, the support of the organized domestic capital for the PSD diluted quite drastically even as the government was delivering on its core promises to business.[5] This was in stark contrast with Fidesz, who maintained the complete loyalty of domestic capital organizations since it took power in 2010.

Next, although the PSD differed from Fidesz when it treated all multinational capital as a homogenous bloc (Fidesz openly embraced multinational manufacturing capital and othered finance, retail and telecom capital), it nevertheless adopted supply-side measures that benefited all sectors of capital. Indeed, in late 2016, the representatives of both national and international capital declared some form of minimal support for the economic programme following the government's inauguration (Bursa, 2016b) Rather than inveigh against MNCs, the programme spoke about rebalancing the interests of domestic and international capital in the liberal language of neutrality (PSD-ALDE, 2017). Despite this, multinational capital was 'cold' on the government all along, pointing to hectic decision-making and the deteriorating fiscal situation of the state. Indeed, it was only in late 2019, when the PSD tried to slam asset taxes on predominantly foreign-owned finance and telecom firms while attempting to raise royalties on offshore gas explorations (a multinationals' niche) that the PSD eventually acted on its nationalist rhetoric, deepening the rift with foreign capital. By 2018–2019, large swathes of multinational capital became open challengers of Romanian national-neoliberalism and particularly of the expansionary wage policies, clamouring for a return to the status quo ante. Indeed, it was only in construction, tourism and food processing that the PSD maintained some business loyalty, a major contrast with Fidesz' strong alliance with multinational manufacturing firms

With many business sectors alienated, the PSD bet on the support of minimum wage and public sector workers by pushing through several rounds of double-digit minimum wage increases and substantial wage hikes for public sector workers (Guga, 2021). To provide glue to the social bloc, the PSD increased minimum wages unilaterally, via the statutory wage channel, thus refraining from the line in the sand that its remaining business supporters drew: no reversal of the legislation weakening collective bargaining and labour unions that had been adopted by the rightwing parties during the Great Recession. Moreover, as important as these measures were for the working poor (the

number of people in severe material deprivation shrunk by 1.8 million, down from 4.7 million in 2016) (Eurostat, 2021) they did not challenge the competitiveness imperative. Indeed, they are best interpreted as a local attempt at embedding neoliberalism (Ban, 2016). Thus, according to Eurostat, in 2019 Romania ranked 16th in the EU in terms of labour productivity and 26th in terms of wages, with the country maintaining the largest gap between labour cost and productivity in the EU (1: 2.52 in Romania vs 1: 2.09 in Hungary and 1: 1.75 EU average). To placate fundamentally national business sectors in non-tradeable sectors, such as construction, wage increases were accompanied by massive sectoral tax cuts and spending-based support (domestic vacation vouchers for public sector workers). But despite these concessions to (still) loyal fractions of domestic capital, the PSD did not manage to contain the rebellion against wage and consumption increases of critical business sectors, particularly in the export sector, further magnifying tensions in the social bloc.

To top it off, the PSD's conservative social doctrine regarding those left outside the labour market meant that it failed to create a large 'popular' bloc. Indeed, the welfare cuts that left the welfare recipients to fend for themselves were arguably more punitive than the workfare programmes of Fidesz in Hungary. For all their punitive and racialized nature, the Hungarian programmes at least 'brought relief to areas where the public sector is absent and the private sector has moved out; here, this is the only employment opportunity available to poorly educated people' (Bohle & Greskovits, 2019, p. 1081), leading to public support for Fidesz there. In contrast, in Romania these marginalized groups lacked even these alternatives and could only be mobilized with difficulty.

5.2. Varieties of techno-political power

Hungarian national-neoliberalism was steeped in technocratic power and domination of the political field while its Romanian counterpart was short of both. For many years before the 2010 elections Fidesz boasted a professionally astute coterie of technocrats that made nationalism consistent with neoliberalism when they calibrated the Hungarian policy status quo. Fidesz' economists with careers at the ECB and in international finance (such as Fidesz' macroeconomic superexpertDániel Palotai) contrasted sharply with PSD's economists with entirely parochial careers (such Darius Valcov, athe economic advisor to the Prime-Minister whose CV could only boast beingP a small town mayor). Technocrats such as György Matolcsy (central bank governor) have always been in the very inner sanctum of Fidesz. In contrast, rather than belong to the sanctum of power, the PSD's technocrats were on its margins and came straight from economics departments (PM economic counsel Cristian Socol) or the private sector (Adrian Caciu). While Hungarian national-neoliberals have had vibrant institutional homes for their intellectuals (Hungary's Századvég think tank) (Buzogány & Varga, 2018; Fabry, 2019), in Romania the PSD's *Ovidiu Sincai* institute has been moribund for more than 10 years.

Most importantly, however, the different technical capabilities of the two parties' elites were shadowed by even starker differences in terms of their political power. From the very beginning of office, Fidesz used its electoral success to change the Constitution to favour its political fortunes, redraw the electoral system, diminish the role and power of the constitutional court and the independence of the judiciary system in general, gain control of the National Bank and restrict the freedom of the press and the power of the civil society

(Scheiring, 2020). The new electoral system led to gerrymandering and weakening of internal checks and balances, which consolidated Fidesz power so that 'even though Fidesz-KDNP lost more than 570,000 voters compared to the 2010 elections, a drop of 8.2 per cent, given the extreme disproportionality of the new electoral system led only to a drop of only 1.3 per cent of the seats' (Kovacs & Vida, 2015, p. 63).

The situation of the PSD provides a sharp contrast. Other than an open confrontation with the anti-corruption magistrates, the PSD generally stuck to the liberal playbook and faced constant competition. Indeed, since 2010, the PSD has been in power between 2012–2015 and between 2017 and 2019, that is seven out of 11 years, facing constant institutional opposition from the President (see Blokker in this issue), street protests between 2017 and 2019, the demise of the coalition it won the elections with it in 2012 soon after (2013–2014), constant internal strife (2017–2019) and challenges by the anti-corruption bodies culminating with the imprisonment of their leader, Liviu Dragnea, in May 2019. After winning the 2016 elections Dragnea also could not be prime minister due to an initial conviction for vote rigging. Although PSD has half the total number of party members in Romania (which ensures it a strong voting base) and has won the highest number of seats in the Parliament during seven out of the nine elections, it has failed to come close to securing a supermajority such as Fidesz. Similarly, no social-democrat has been able to lead the party and/or the Government for as long as Viktor Orban did: even during its arguably strongest years (2016–2019), the PSD went through constant internal strife and changed its Prime Minister three times.

Partially, this can be explained by the more decentralized structure of the political system in Romania, where local leaders ('barons') hold 'ample organizational and political freedom' within the networks of patronage which are formed around the party (Marton, 2019). Furthermore, as Marton notes (2019, p. 363), majority alliances 'are done and undone in parliament' and this translates into continuous negotiations to break and make the majority and the government, with MPs forming and disbanding small parties as well as leaving and joining the traditional parties and altering the structure of the Parliament and the ruling majority. As a result of these, the PSD managed to lose significant numbers of members in 2010 and again in 2017, with no Fidesz-style one-party super-majorities forming. Finally, while the PSD followed Fidesz in having supportive media outlets, particularly in television, it failed to organise a dense supportive civil society network. This contrasts sharply with Fidesz, whose supportive Civic Circles effectively became a mass social movement (Greskovits, 2017).

6. Conclusions

This paper asked if the recent rise of nationalism and populism in some Eastern and Central European countries led to a post-neoliberal transition based around neo-developmentalism and why some sustained challenges to this dominant policy paradigm endured in some countries but not in others. The evidence suggests that in both Hungary and Romania varying degrees of challenges to neoliberalism did not lead beyond it but to a distinctive variety of neoliberalism that we term 'national-neoliberalism.' The paper also shows that the national-neoliberal project is resilient not only if it has protections against the bond markets, but also if its proponents can manage a broad social bloc and deploy techno-political capabilities that can weaken opposition to social bloc maintenance while buffer the impact of external structural forces.

What are the broader implications that this paper has for political scientists interested in debates about the socio-economic significance of illiberal/populist/anti-system challenges to what Jonathan Hopkin aptly called 'neoliberal democracy' (Hopkin, 2020)? The first is that breaking liberal democracy may be easier than breaking neoliberalism. While the former is fragile and hard to graft with the features of illiberalism, neoliberal goals can cohabit with heterodox policies and nationalist appeals within in the broad tent of national-liberalism. Second, even in the boldest attack against neoliberal democracy to date, which is Hungary under Viktor Orban, the emergence of a full-fledged neo-developmentalist policy regime is hard to detect. The emergence of such a regime seems to be more noticeable in Poland (Naczyk, 2021) but more work is needed to establish its limits and boundaries when most capital is foreign-owned, as it is the case everywhere in the region. In short, 'doing' nationalist politics is a lot easier than crafting neo-developmentalism.

Third, the paper highlights the importance of social blocs and the capacity to control both the technocratic and political fields as essential conditions for the resilience of populist/illiberal/anti-system parties in government. Both Fidesz and PSD tapped (to different degrees) into the political discourses and strategies of the populist wave. But only the former managed to secure power and to understand why one needs to go beyond conventional explanations about political culture and exogenous shocks and into a perspective that takes institutions, technocracy and the political management of social group's economic interests more seriously.

The broader implication of the paper is instead of expecting the death of neoliberalism after every wave of nationalist antics, illiberal political moves accompanied by nationalist policy 'edits,' we may be better off if we try to examine the actual consequences that the often meticulous rebuilding of neoliberalism' contents with its unloved others has for the neoliberal policy goals. In this regard, what we have seen in Hungary and Romania are historically contingent ways of embedding neoliberalism in society using orthodox *and* heterodox tools, not neoliberalism's executioners.

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Notes

1. Fidesz's coalition partner, the Christian Democratic People's Party (Kereszténydemokrata Néppárt, KDNP) is politically insignificant, it's only role lies in securing good relations with the clergy.
2. http://library.fes.de/pdf-files/bueros/budapest/12994.pdf.
3. This tax would have hurt the interests of important business sectors, yet not all anti big business measures are departures from the open economy principle of neoliberalism, an interpretation confirmed by the European Court of Justice in similar cases concerning Poland and Hungary.
4. Author interview with PSD executive members, 2019.

5. Indeed, the SME's *White Book* of 2019 indicated that out of the past ten years, national entrepreneurs had the most positive perception of the economic environment during 2017–2019. (CNIPMMR, 2019)

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